

Message Text

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PAGE 01 WARSAW 06501 01 OF 02 311153Z
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C O N F I D E N T I A L SECTION 1 OF 2 WARSAW 6501

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1. REPORTING. WHAT IS THE STATUS OF YOUR PLANS TO RECOMMEND
TO NSC "A FULL SCALE STUDY OF POLAND'S TRADE AND FINANCIAL
PROSPECTS AND THE CONTINGENCIES WE MAY FACE THROUGH 1980?"

2. TRYING TO PREPARE OURSELVES FOR THE REQUESTS FOR INFORM-
MATION THAT MIGHT BE LEVIED UPON US IN THE COURSE OF SUCH
A STUDY, WE HAVE DRAFTED THE FOLLOWING OUTLINE TO GUIDE
OUR OWN REPORTING FOR THE NEXT SEVERAL WEEKS. FIRST, SOME
BASIC ECONOMIC ISSUES:

POLAND'S ECONOMY IS IN FOR A CRITICAL PERIOD IN
THE NEXT TWO TO THREE YEARS. ON THE DOMESTIC FRONT, CONSUMER
DEMAND WILL INCREASE AT A PACE FAR GREATER THAN ALREADY INADE-
QUATE SUPPLIES OF CONSUMER GOODS CAN SATIFY. THE REASONS
CAN BE FOUND NOT ONLY IN THE INSUFFICIENCIES OF THE
SYSTEM, BUT IN INDIVIDUAL ATTITUDES; AND THESE TWO ESSENTIALLY DIFFERENT SORTS OF
PROBLEMS JOIN TO FORM A VICIOUS CIRCLE WHICH MAKES
IT VIRTUALLY IMPOSSIBLE TO EXPECT ANY SIGNIFICANT
INCREASES IN WORKER PRODUCTIVITY. INTERNATIONALLY, POLAND MUST COPE WITH AN INCREASING HARD

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PAGE 02 WARSAW 06501 01 OF 02 311153Z

CURRENCY DEBT, GROWING TRADE DEFICITIS, INSUFFICIENT
AMOUNTS OF EXPORTS TO WESTERN MARKETS, AND A POLI-
TICAL DEMAND, FROM FOREIGN AND DOMESTIC SOURCES,
FOR INCREASED COOPERATION AND INTEGRATION WITH THE
CEMA COUNTRIES.

A. CONSUMPTION/INVESTMENT CONSIDERATIONS:

WHAT WILL THE PRIORITIES BE? HAVE THE RECENT RESTRAINTS ON HARD CURRENCY IMPORTS SIGNIFICANTLY AFFECTED CURRENT INVESTMENT PROJECTS IN POLAND? IS THERE PENT UP DEMAND FOR HARD CURRENCY INVESTMENTS AS A RESULT OF THIS POLICY, OR HAVE IMPORTS FROM OTHER BLOC COUNTRIES BEEN USEFUL AS SUBSTITUTES? HAVE WAGES CONTINUED TO OUTSTRIP BOTH INCREASES IN PRODUCTIVITY AND INCREASES IN THE AMOUNT OF SALEABLE CONSUMER ITEMS IN THE MARKET PLACE?

B. WHAT IS THE SIZE AND STRUCTURE OF THE HARD CURRENCY DEBT? HOW BIG WILL IT BE AT THE END OF THE YEAR? WILL THE POLES BE ABLE TO PRODUCE AND MARKET ENOUGH GOODS FROM PRESENT INVESTMENT PROJECTS TO REPAY THEIR HARD CURRENCY DEBTS? WHAT ARE THE PROSPECTS FOR THE RUMORED FRG FINANCIAL CREDIT OR EURO-DOLLAR BALANCE OF PAYMENTS LOAN? ARE WESTERN BANKERS REDUCING THEIR EXPOSURE IN POLAND? WHAT ARE THE CURRENT AND ANTICIPATED CREDIT TERMS FACED BY POLAND IN WESTERN MONEY MARKETS? WHAT DO THE POLES THINK OF THEIR OWN DEBT WORTHINESS? ARE THEY WORRIED?

C. THE REGIME'S MANAGEMENT OF THE PRICE PROBLEM:

WHAT IS THE STATUS OF THE JUNE, 1978 EDICT THAT FOOD PRICES WILL NOT BE RAISED FOR A YEAR OR MORE? CONFIDENTIAL

CONFIDENTIAL

PAGE 03 WARSAW 06501 01 OF 02 311153Z

HOW HAVE PRICES TO THE CONSUMER BEEN EFFECTIVELY RAISED, DESPITE THE EDICT? WHAT IS THE INFLATION RATE? WILL THE COMMERCIAL MEAT STORES BE USED TO DISTRIBUTE INCREASING QUANTITIES OF MEAT? IF SO, WHAT WILL BE THE EFFECT ON THE SUPPLIES AT THE NORMAL STORES?, WHAT ARE THE LIMITS OF PUBLIC TOLERANCE?

WHAT PRICE DIFFERENTIAL BETWEEN THE U.S. AND OTHER GRAINS WOULD NULLIFY THE CREDIT WE PROVIDE?

D. THE BANKING AND CURRENCY SYSTEM: WHAT IS THE STATUS OF THE HARD CURRENCY ACCOUNTS? WILL THE ZLOTY BE DEVALUED? WHAT IS THE EXACT NATURE OF THE DUAL CURRENCY SYSTEM?

E. AGRICULTURE: WHAT ARE THE CROP PROSPECTS? WHAT ARE THE PROSPECTS FOR EXPORTS AND IMPORTS IN THE MAJOR CATEGORIES? CAN WE ANTICIPATE CHANGES IN GOVERNMENTAL POLICIES REGARDING PRIVATE AGRICULTURE?

F. ENERGY: WHAT SUCCESS WILL THE POLES HAVE IN GETTING ELECTRICAL AND FUEL ENERGY RESOURCES

FROM THE USSR? WHAT MUST THEY PAY? HOW WILL ENERGY SHORTAGES AFFECT INDUSTRIAL DEVELOPMENT AND THE INCREASED ORIENTATION OF THE POPULACE TOWARD THE PRIVATE AUTOMOBILE? ARE LAST WINTER'S SHORT-AGES APT TO BE REPEATED?

G. TRANSPORTATION: WILL THERE BE ANY IMPROVEMENT ESPECIALLY IN RAIL TRANSPORT? IS THE NEW WIDE GUAGE LINE TO KATOWIVE EXPEDITING NEEDED DELIVEREIS TO THAT AREA? ARE THERE SIGNS OF FOLLOW THROUGH ON THE RECENTLY ANNOUNCED PLANS FOR EXPANDING WATERWAYS? WHAT WILL BE DONE TO ELIMIATE THE BOTTLE NECK IN THE PORT OF SZCZECIN?

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PAGE 04 WARSAW 06501 01 OF 02 311153Z

H. CURRENT STATUS AND TRENDS IN INVISIBLES; CURRENT LEVELS AND LIKLEY IMPACT ON THE BALANCE OF PAYMENTS.

I. TOURISM: HOW WELL ARE THE POLES EXPLOITING EXCHANGE IMCOME POSSIBILITIES OF TOURISM THROUGH NEW HOTEL CONSTRUCTION, BETTER TOURIST SERVICES, ETC?

J. WESTERN ASSISTANCE: TO WHAT EXTENT ARE THE POLES RELYING ON ROLL OVERS, CCC CREDITS, AND SIMILAR ASSISTANCE TO HELP THEM MEET THEIR ECO-NOMIC NEEDS? ARE THEY THEREBY ENABLED, INDEED ENCOURAGED TO AVOID THE HARD DECISIONS REQUIRED FOR A FUNDAMENTAL RATIONALIZATION OF THEIR ECO-NOMIC SITUATION? HOW IMPORTANT IN THIS REGARD FROM THE U.S. POINT OF VIEW ARE THE INTANGIBLES OF ASSO-CIATION WITH THE WEST? WOULD A REDUCTION OF WESTERN ASSISTANCE LEAD TO CLOSER LINKAGES WITH THE USSR AND OTHER CEMA COUNTRIES INSTEAD OF RATIONALIZATION OF DOMESTIC INSTITUTIONS AND POLICIEIS?

K. SOVIET MOVES FOR INCREASED COOPERATION AND INTEGRATION: DOES THE RECENT INCREASED PUBLICITY ABOUT POLISH COOPERATION WITH THE USSR AND CEMA PRESAGE SIGNIFICANT CHANGES IN GOVERNMENT POLICY? WILL THE NEW COOPERATIVE VENTURES WITH THE SOVIETS AND OTHER CEMA TRADING PARTNERS CO-OPT RESOUCES WHOCH WOULD OTHERWISE BE USED FOR PRODUCTION OF GOODS FOR WESTERN MARKETS? WHAT BENEFITS, PARTICULARLY IN ENERGY RESOURCES, WOULD POLAND GAIN FROM INTEGRAING ITS ECONOMY WITH THAT OF THE USSR? WHAT PRICES WILL THE SOVIETS CHARGE?

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PAGE 05 WARSAW 06501 01 OF 02 311153Z

THE POLITICAL BACKGROUND

ALTHOUGH THE STUDY DESCRIBED IN REF IS LARGELY

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PAGE 01 WARSAW 06501 02 OF 02 311358Z
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C O N F I D E N T I A L SECTION 2 OF 2 WARSAW 6501

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ORIENTED TO ECONOMIC CONSIDERATIONS, A NUMBER OF POLITICAL ISSUES WILL BE RELEVANT TO THEM, INDEED WILL ESTABLISH THE PARAMETERS WITHIN WHICH THE ECONOMIC DECISIONS WILL BE MADE. ALTHOUGH IT IS UNLIKELY THAT MUCH OF THE INFORMATION DERIVED FROM THE FOLLOWING CATEVXRIES WOULD BE INCLUDED IN THE STUDY, MUCH OF IT WOULD BE PERTINENT.

A. PARTY AND GOVERNMENT: THERE HAS BEEN A RUMORED STIRRING OF COVERT SUPPORT WITHIN SOME PZPR CIRCLES FOR OLSZOWSKI AS AN EVENTUAL REPLACEMENT FOR GIEREK AS FIRST SECRETARY IF THE ECONOMY CONTINUES TO LAG. ARE THERE ANY SIGNS THAT THIS MOVEMENT MAY BE GATHERING MOMENTUM? ARE THERE ANY OTHER PROSPECTIVE CHALLENGERS IN THE WINGS? ARE THERE ANY SIGNS OF LESSENERED SOVIET SUPPORT FOR GIEREK? WHAT ARE THE SUBJECTS OF GIEREK'S TALKS WITH BREZHNEV IN APRIL? WHAT REMAINS OF THE CENTRALIZATION VS DECENTRALIZATION DEBATE TRIGGERED LAST FALL BY POLITYKA EDITOR RAKOWSKI? IS A MOVE TOWARD DECENTRALIZED MANAGEMENT, APPARENTLY HELD TO BE MOST DESIRABLE BY THE MAJORITY OF PARTY TECHNOCRATS, POLITICALLY POSSIBLE?

B. CHURCH-STATE: ATMOSPHERICS BELOW THE TOP LEVEL ON BOTH SIDES HAVE SOMEWHAT SOURED, AND THERE HAVE BEEN DIFFERENCES AMONG THE CLERGY CONCERNING CARDINAL WYSZYNSKI'S POLICY OF LIMITED ACCOMMODATION WITH THE REGIME. WHAT IS THE STATUS OF THE RAPP-ROCHEMENT BETWEEN THE PRIMATE AND THE FIRST SECRETARY? CAN FURTHER

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PAGE 02 WARSAW 06501 02 OF 02 311358Z

CONCESSIONS BY THE REGIME BE EXPECTED? WHAT IS THE STATUS OF NEGOTIATIONS OF THE VATICAN AND THE GOP ON A PERMANENT REPRESENTATIVE OF THE VATICAN IN WARSAW, OR OF THE POLISH CHURCH HIERARCHY'S ATTITUDE ON THIS QUESTION? WHO GAINED THE MOST FROM THE RECENT WYSZYNSKI-GIEREK AND GIEREK-VATICAN RAPPROCHEMENTS? REPORTS ON WYSZYNSKI'S HEALTH ARE IN CONFLICT. HOW IS GE GETTING ALONG? HOW MUCH OF HIS WORK IS BEING TAKEN OVER BY OTHERS? WHAT IS THE STATUS OF THE SUCCESSION QUESTION? WHAT ARE THE IMPLICATIONS FOR CHURCH-STATE RELATIONS AND PUBLIC OPINION.

C. DISSIDENCE: HAS ACTIVITY LESSENERED, AS SOME REPORTS INDICATE? ARE SAMIZDAT DRYING UP? HOW HAS THE RECENT SCHISM IN ROPCO AFFECTED THE MOVEMENT? IS THERE ANY MOVEMENT TOWARD CLOSER TIES BETWEEN ROPCO AND KSS/KOR? ARE THERE ANY INDICATIONS OF TIES BETWEEN THOSE GROUPS AND THE CHURCH? ARE THERE ANY SIGNS OF COALESCENCE OF DISSIDENT INTELLECTUALS' AND WORKERS' INTERESTS? IS THERE ANY SIGN OF MOMENTUM IN THE FREE TRADE UNION MOVEMENT? WHAT IS THE REGIME'S POSITION? HAS ITS POSTURE CHANGED SIGNIFICANTLY? WHAT ARE THE PROSPECTS? ARE THERE ANY INDICATIONS THAT, WITH THE DETERIORATION IN US-SOVIET SCIENTIFIC AND TECHNOLOGICAL RELATIONSHIPS, THE SOVIETS ARE EITHER LOOKING TO POLAND AS A SUBSTITUTE CHANNEL TO US TECHNOLOGY; OR, ON THE OTHER HAND, ARE THEY TRYING TO DISCOURAGE POLISH COOPERATION WITH THE US?

D. INTERNATIONAL AFFAIRS: HOW HAVE POLISH ATTITUDES TOWARD THE US BEEN AFFECTED BY THE RECENT EVENTS IN US-SOVIET RELATIONS? CAN WE EXPECT A HARDENING OF THE REGIME'S POSTURE? IF SO, ON WHAT ISSUES? CAN WE EXPECT LESSENERED COOPERATION IN SCIENTIFIC-TECHNICAL AND ACADEMIC-CULTURAL EXCHANGES? CAN WE EXPECT SHIFTS IN THE POLISH LINE ON THE MIDDLE EAST? HAS LAST SPRING'S WARMING TREND TOWARD ISRAEL AND JEWISH ORGANIZATIONS ABROAD RUN ITS COURSE? ARE THE POLES ONCE AGAIN COZYING UP TO THE ARABS IN THEIR QUEST FOR OIL

CONFIDENTIAL

PAGE 03 WARSAW 06501 02 OF 02 311358Z

(FLARE UP, SINCE DAMPENED DOWN, WITH IRAQ). ARE THERE ANY SIGNS OF SIGNIFICANT CHANGES IN GOP RELATIONS WITH POLONIA? HOW WILL THE REGIME REACT TO A STRONGER STANCE BY POLISH AMERICANS ON HUMAN RIGHTS? WHAT IS THE SIGNIFICANCE OF ADAMSKI'S DEPARTURE

FROM THE POLONIA ORGANIZATION?

CONCLUSIONS: ALTHOUGH WE HAVE TRIED TO BE SELEC-
TIVE IN LISTING THESE CONCERNS, WE OBSIOUSLY HAVE SPECI-
FIED SOME CONCERNS ABOUT WHICH OUR INFORMATION IS SKETCHY
AND OUR PROSPECTS FOR GETTING ANYTHING DEFINITIVE ARE
PRETTY SLIGHT. WE HOPE THAT OUR REPORTING FOCUSSED ON
THESE ISSUES WILL PROVIDE INFORMATION THAT WILL BE USE-
FUL IN ANSWERING THE FOLLOWING QUESTIONS, OR AT LEAST
IN ESTABLISHING SOME PARAMETERS FOR CONSIDERING
THEM:

A. CAN ANY POLISH LEADERSHIP DO MUCH MORE THAN THE PRESENT ONE?

B. SHOULD WE MAINTAIN THE LEVEL OF PERSONAL SUPPORT FOR GIEREK
WE HAVE SHOWN THROUGH THE CARTER VISIT AND SUBSEQUENT HIGH LEVEL
EXCHANGES, PARTICULARLY IF GIEREK'S POPULARITY CONTINUES TO WANE?

C. HAVE THE REGIME'S ECONOMIC MISTAKES OF THE PAST SO SERIOUSLY
LIMITED THE ALTERNATIVES THAT ANY FORCEFUL POLICH WOULD INEVI-
TABLY HAVE DRASTIC REPERCUSSIONS? TOO DRASTIC?

D. SHOULD WE CONTINUE TO LINK POLISH PERFORMANCE ON FREEDOM OF
TRAVEL/DIVIDED FAMILIES TO OUR CONSIDERATION OF FURTHER CREDITS AND
OTHER FINANCIAL ASSISTANCE? WHOULD WE TIGHTEN OUR DEFINITION OF
DIVIDED FAMILIES?

E. SHOULD WE PRESS THE GOP HARDER WITH RESPECT TO HUMAN RIGHTS,
INCLUDING TREATMENT OF DISSIDENCE, TAKING INTO ACCOUNT THE
CREDIT THE GOP HAS GOTTEN FROM BEING CHARACTERIZED AS COMPARATIVELY
LIBERAL IN THIS REGARD? DO WE PRAISE THE POLES TOO MUCH
FOR THEIR OWN GOOD?
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PAGE 04 WARSAW 06501 02 OF 02 311358Z

F. ALTERNATIVELY, SHOULD WE TAKE POLISH CONCERNS OVER DETERIORATION
OF DETENTE INTO ACCOUNT AND LESSEN OUR PRESSURE ON HUMAN RIGHTS
AND OTHER
ISSUES, KEEPING IN MIND THE COUNTER PRESSURE THEY ARE SUBJECTED
TO FROM THE SOVIETS?

G. WHAT SHOULD BE OUR RESPONSE TO A HARDENED STANCE OF THE
POLES TOWARD THE US? WHATARE OUR OPTIONS? ON ORDER OF PRIORITY,
WHAT DO THE POLES VALUE IN OUR PRESENT RELATIONSHIP?

3. WE WILL APPRECIATE YOUR REACTIONS AND SUGGESTIONS.
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